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# **AICPA** *Washington Report*

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## FEDERAL ELECTION COMMISSION

More than \$100 million has already been spent by candidates in the 1986 races for seats in the U.S. Senate and House of Representatives, according to the fifteen-month figures recently released by the FEC. The FEC figures show that Senate candidates have raised almost \$80 million, of which, approximately 68%, or \$54 million, was comprised of contributions from individuals; PACs contributed 21%, or more than \$16 million. Total spending to date in Senate races has reached \$46 million. FEC figures also show that candidates for U.S. House seats have raised more than \$87 million--54%, or \$47 million, from individuals, and 30%, or \$26 million, from PACs. To date, spending has exceeded \$58 million for House races.

## FEDERAL HOME LOAN BANK BOARD

Nationwide Lending; Loan Participations, and Loan Recordkeeping Requirements is the title of a notice of proposed rulemaking by the FHLBB (see the 5/14/86 Fed. Reg., pp. 17634-43). The FHLBB is proposing to amend its regulations to reinstate requirements for nationwide lending activities outside the normal lending territories of the principal and branch offices of institutions the accounts of which are insured by FSLIC and for the joint origination of, or purchase of interests in, participation loans, and to expand existing recordkeeping requirements. In brief, the nationwide lending proposal: (1) Bars all insured institutions from purchasing whole loans secured in a manner other than first liens on owner-occupied homes outside their normal lending territories ("nationwide loans") from sellers with deficient capital or portfolio performance; (2) permits insured institutions with demonstrable capital or portfolio weakness to engage in nationwide lending only pursuant to business plans and with the prior approval of their Principal Supervisory Agents ("PSAs"); (3) permits insured institutions meeting their capital requirement and having a low ratio of nonperforming assets to make or purchase without prior approval nationwide loans that are neither scheduled items nor classified assets in an amount equal to regulatory capital and such loans which are home loans in an amount equal to twice regulatory capital, for an aggregate amount equal to three times regulatory capital. The proposed rule relating to loan participations provides that insured institutions may participate in originating secured loans or purchase participation interests in any such loan with prior PSA approval only if any one of four conditions is satisfied. First, the loan must be owned exclusively by the insured institution and the Federal Home Loan Bank Mortgage Corporation or the Federal National Mortgage Association. Comments must be received on or before 7/14/86. For further information contact Joseph McKenzie at 202/377-6763.

## SECURITIES AND EXCHANGE COMMISSION

John Wheeler, Secretary of the SEC, will resign effective 5/23/86 to work full time on several non profit projects, according to a recent announcement by John Shad, Chairman. Mr. Wheeler will devote most of his time to The Project on the Vietnam Generation, a private non-profit organization with a goal of scholarship and public education on the dynamics of the generation that came of age in the Sixties. The Project is an outgrowth of Mr. Wheeler's book, Touched With Fire, about the future of the Vietnam generation. He also serves as Chairman of the Vietnam Veterans Memorial Fund and as National Chairman of Mothers Against Drunk Driving. Mr. Wheeler joined the SEC in 1978 and served as legal assistant to then-Commissioner Roberta Karmel, Assistant General Counsel, Special Counsel to the Director of Corporation Finance and Special Counsel to the Chairman. He was named Secretary of the Commission in December 1985.

## SECURITIES AND EXCHANGE COMMISSION

"Outright repeal of civil RICO" would be considered by Sen. Dale Bumpers (D-AR) according to an exchange between Sen. Bumpers and SEC Chairman John S.R. Shad in an Appropriations Subcommittee hearing to consider the SEC's 1987 budget request of \$110,050,000. SEC Chairman Shad testified before the Commerce, Justice, State, the Judiciary and Related Agencies Subcommittee, Senate Committee on Appropriations, on 5/14/86 to present the SEC's 1987 budget request and to discuss the SEC's 1985 results. Among the areas covered were enforcement, government securities, market efficiency, corporate takeovers, internationalization, immobilization of certificates and EDGAR, the SEC's electronic disclosure system. Near the conclusion of the hearing on the SEC budget, Subcommittee Member Sen. Bumpers asked Chairman Shad if he favored amendment to the civil provisions of the Racketeer Influenced and Corrupt Organizations Act (RICO). Shad stated that he was on record as favoring such action. Sen. Bumpers continued a discussion of RICO and stated that Congress never intended the law to operate in such a manner. He concluded by stating that he would consider an "outright repeal of civil RICO." This hearing concluded with Subcommittee Chairman Warren Rudman (R-NH) commending Shad's leadership at the SEC, the work of the SEC staff, and the overall performance of the Commission.

SEC staff views regarding adjustments of allowances for loan losses in conjunction with business combinations accounted for by the purchase method are addressed in Staff Accounting Bulletin No. 61; Allowance Adjustments (see the 5/12/86 Fed. Reg., pp. 17331-32. The illustrative fact pattern in SAB No. 61 contains the following: Bank A acquires Bank B in a transaction to be accounted for by the purchase method in accordance with Accounting Principles Board Opinion No. 16. The question, according to SEC Staff, is: Are there circumstances in which it is appropriate for Bank A, in assigning acquisition cost to the loan receivables acquired from Bank B, to adjust Bank B's carrying value for those loans not only to reflect appropriate current interest rates, but also to reflect a different estimate of uncollectibility? For further information contact Wayne Pentrack at 202/272-2130.

A revision to Rule 3A-02 of Regulation S-X "which provides guidance on the consolidation of financial statements of a registrant and its subsidiaries" is the subject of a final rule by the SEC (see the 5/12/86 Fed. Reg., pp. 17329-31). Among other matters, the revision states: "In deciding upon consolidation policy, the registrant must consider what financial presentation is most meaningful in the circumstances and should follow in the consolidated financial statements, principles of inclusion or exclusion which will clearly exhibit the financial position and results of operation of the registrant." The effective date of this revision is 6/11/86. For further information contact Robert Kueppers at 202/272-2130.

## TREASURY, DEPARTMENT OF

"Points paid in refinancing a mortgage are not deductible in full in the year paid, regardless of how the taxpayer arranges to pay for them," according to a 5/13/86 announcement from the IRS. This applies even if the new mortgage is secured by the taxpayer's principal residence. The Internal Revenue Code provides that "points which represent payment of interest must be deducted over the loan period unless they are paid in connection with the purchase or improvement of the taxpayer's principal residence are secured by that residence and meet certain other requirements." The IRS said that points paid to refinance an existing home mortgage are for repaying the taxpayer's existing indebtedness and are not paid in connection with the purchase or improvement of the home. For that reason taxpayers must deduct them over the loan period. The IRS will allow taxpayers to deduct these points ratably over that period.

**TREASURY, DEPARTMENT OF**

The appointment of Mr. Percy Woodard, CPA, to the newly created position of Assistant Commissioner for International Matters, was the subject of a recent announcement by the IRS. Mr. Woodard joined the IRS in 1959 and most recently served as Assistant Commissioner for Examination in Washington State. Mr. Woodard is a member of the Dallas Chapter of the Texas Society of CPAs. He has been a member of the AICPA since 1963.

Revised Form 4789, Currency Transaction Report, will become effective on 7/1/86, according to the IRS. Form 4789, which was revised in December 1985, is used for reporting cash transactions of more than \$10,000. Until then, financial institutions should continue to use the present Form, but may order the revised version from the IRS Forms Distribution Centers after 5/1/86. These forms should be filed with the Detroit Data Center, P.O. Box 42621, Detroit, MI 48232, Attn: CTR, and as of 7/1/86, all prior editions should be destroyed. For further information contact the IRS Public Affairs Division at 202/566-4024.

Proposed regulations relating to effective dates and other issues under the employee benefit provisions of the Tax Reform Act of 1984 will be the subject of a 6/26/86 IRS public hearing. The hearing is scheduled to begin at 10:00 a.m. in the IRS Auditorium, 1111 Constitution Ave., N.W., Washington, D.C. Outlines of oral comments must be delivered by 6/12/86. For further information contact Faye Easley at 202/566-3935.

Enrolled agents, other than CPAs or attorneys, authorized to represent clients before the IRS, will receive notices explaining new continuing education requirements for renewal of their enrollment, according to a recent notice from the IRS. In general, qualification for renewal will require the enrolled agent to complete at least 24 hours of CPE between 1/1/86 and 1/31/87. After that initial qualification period, enrolled agents will have to complete at least 72 hours of CPE every three years.

For further information contact Nick Nichols or Shirley Hodgson at 202/872-8190.

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